

## Shelter submission on the 2009-10 budget

This is Shelter's submission to the Local Government and Communities Committee on the draft budget 2009-10. Reading the evidence session on 1 October 2008, we recognise that the discussion ranged quite broadly over issues of housing delivery in the context of the changing housing market. So we have tried to focus mainly on scrutiny of the budget itself, particularly with reference to the Affordable Housing Investment Programme (AHIP).

### Summary of key points

- There is a woeful lack of information on the actual housing outputs which the Budget is expected to lead to, ie the number of homes built or improved, and grants provided.
- Before commenting directly on the 2009-10 budget the Committee might wish to press the Government to give adequate details on the 2008-09 budget, which have not yet been published.
- At the time of writing only £60 million of the 'up to' £100 million drawn forward from 2010-11 has been identified. The source of the remaining £40 million is still the subject of discussion with CoSLA.
- The 2008-09 AHIP shows a considerable drop in both investment and output from the equivalent programme in 2007-08. Bringing forward £30 million is welcome but does not make up the difference.
- As a result of a further £70 million being brought forward, the 2009-10 AHIP totals £634 million once investment in Edinburgh and Glasgow is added back in. This compares favourably with recent years but even this – the best year of the three – still falls significantly short of funding for the estimated 10,000 affordable rented homes needed each year.
- A natural consequence of drawing investment forward is that the AHIP in year 3 will fall by £145 million or 23%; this is barely 21 months before the 2012 homelessness target will kick in fully.
- The Scottish Government has separately committed to expand funding on low-cost home ownership schemes to the tune of £250 million over three years. These are not fully detailed in the budget but cannot be achieved without cutting other programmes.

- The Scottish Government's commitment to pump-prime investment in new council homes has been allocated £25 million starting from 2009-10. However, this does not appear in the Budget.
- Fears about the reduction in expenditure on services to support vulnerable people appear to be justified, with a 26% reduction in expenditure in only one year. However, that appears to be the result of false figures being presented in section 9 of the budget. These now need to be corrected.

## 1. The 2008-09 programme

Most of this briefing is about the 2009-10 budget. However, given the changes in the course of this year, we think it is important to reflect on the current year first.

Shelter argued for and welcomed the bringing forward of year 3 housing expenditure into years 1 and 2 (of which more below). However, this has had the effect of making it difficult to assess accurately the profile of spending in the current year (2008-09). The announcement that ministers were bringing forward up to £100 million of investment has resulted in £30 million more being allocated to the current year. However, to date the Scottish Government has not updated the way that money has been distributed across programmes and areas. This means that all we have is a profile of expenditure as issued in a written parliamentary answer on 30 May 2008 (followed by other answers giving more detail).

In the past<sup>1</sup>, by this time of year, the Scottish Government has issued a full bulletin of its housing investment plans. That it has not yet done so makes adequate scrutiny impossible.

In the meantime, all we can do is comment on expenditure as it was detailed before the £30 million was added in. We would be delighted to update this analysis once the Scottish Government has re-profiled the programme in detail.

- Overall, the programme as originally published is much more disappointing than originally thought when the budget was first published last November<sup>2</sup>.

---

<sup>1</sup> For example, the 2007-08 investment bulletin was published in September 2007.

<sup>2</sup> This is because, last November, we compared the 2008-09 planned budget with the 2007-08 plans, as issued in the 2006 document. However, now that we are more than halfway through the spending year, we believe it more appropriate to compare it with the actual outturn, which, for 2007-08 was much higher at £594 million.

- Planned expenditure is down 17% on that for 2007-08. Taking out some of the national programmes and support for Glasgow Housing Association, the expenditure is down by 23%.
- The number of new affordable homes to be approved is down by just over 24%, with 1947 fewer new affordable homes being approved this year than last.
- There are significant winners and losers between different areas: losers far exceed winners, with only 3 out of 32 council areas seeing an increase in their budget for 2008-09.
- Only 9 out of 32 council areas show an increase in the number of approvals next year.

Once again we emphasise that the above set of bullet points relate to the current year before the additional £30 million brought forward from 2010-11 was added in. That £30 million will make a difference, particularly if it is used to accelerate land purchase at lower prices. However, it is not enough to substantially alter the above points.

## 2. The 2009-10 programme

Clearly members of the Committee will want to focus on the 2009-10 draft budget as it is specifically tasked to do.

### 2.1 £100 million brought forward

The headline measure is the bringing forward of up to £100 million from year 3 (2010-11) to years 1 and 2. Up to £30 million is to be added in year one (2008-09) and up to £70 million in year 2 (2009-10). Of the £100 million, £60 million is allocated from delayed central government programmes; and up to £40 million from re-allocations of local government programmes.

The £60 million allocated by Central Government has come from departments as shown in the table below:

Portfolio	Programme	Amount
Health and Wellbeing	Not specified	£16 million
Housing and Regeneration	Various	£10 million
Education and Lifelong Learning	Scottish Further and Higher Funding Council	£20 million
Justice	Scottish Prison Service	£10 million
Rural Affairs and Environment	SEPA capital budget	£4 million
<b>TOTAL:</b>		<b>£60 million</b>

This money will all have to be 'paid' back into the relevant portfolios in 2010-11.

At the time of writing we do not have comparable information for the £40 million being contributed by local government. Indeed, it is not yet certain that the full £40 million will be allocated from delayed local government capital programmes and, if it is found, which programmes it will come from. At the moment, we understand that the £40 million is to be split evenly across the two years: ie £20 million for each year. If that is the case, then it is starting to get late in the year for that money to be spent. We fear that either the money will not be spent or that it will be mis-spent in ways that do not effectively meet outstanding needs. The Committee could usefully raise this in its session with CoSLA on 29 October.

And, of course, there is a consequence to £100 million being brought forward, which is the dramatic fall in investment in year 3 (2010-11). This is detailed further below in section 2.3.

## 2.2 The programme overall

The overall housing programme is shown in the table below. This has changed in only minor ways since the 2007 Spending Review, with the exception of the Affordable Housing Investment Programme.

Item	Original 09-10 plans	New 2009-10 budget	Change
Affordable Housing Investment Programme	446.7	515.0	+68.3 <sup>(1)</sup>
Private sector housing	15.2	10.2	-5 <sup>(2)</sup>
Housing research	2.8	4.9 <sup>(3)</sup>	+2.1
Communities Scotland running costs	25.1	4.7	-20.4 <sup>(4)</sup>
Homelessness	0.6	0.6 <sup>(5)</sup>	-
Central Heating / Warm Deal	45.9	45.9	-
Housing grants for voluntary organisations	2.4	2.4	-

### NOTES

- 1) *This is just short of the overall £70 million brought forward to 2009-10 as a result of some other minor transfers in the budget lines.*
- 2) *This change is due to reprofiling across the three years to facilitate the £100 million brought forward.*
- 3) *This apparent large rise is a result of transfer of money for research that was previously in AHIP.*
- 4) *This apparent saving of over £20 million reappears in general Scottish Government running costs. The net saving from the abolition of CS is £400,000 per year.*
- 5) *Almost all homelessness spending is now rolled up in the local government settlement.*

However, the most conspicuous feature of the table above is what is not there. Aside from the affordable housing investment programme and investment in warm deal / central heating programmes almost all aspects of housing investment no longer appear in the main section of the Scottish Budget relating to housing. In fact, even with regard to the AHIP, almost £120 million per annum no longer appears as part of the Scottish housing budget – that being the portion allocated to Glasgow and Edinburgh for funding housing associations' development programmes.

Other major aspects of housing spending no longer appear in the housing budget. These are:

- private sector grants (detailed in the local government settlement)
- assistance to Glasgow home owners (detailed in the local government settlement)
- homelessness (see section 2.4 below)
- housing support (see section 2.4 below)
- borrowing by local authorities to finance capital investment.

As well as the missing lines, there is also a woeful lack of information on what the money will be used for. Half a page between pages 51 and 52 lists five bullet points which are meant to capture the main outputs of Scottish housing policy. But there is no indication of how many homes will be built or improved; how many shared equity schemes developed and so on. Not only is this poor in its own terms, it also compares badly to the presentation in budgets from previous governments.

Whatever the merits in substance of the decisions made in the last few years – and especially in the last year - in how the budget is presented; the clear consequence has been to make a mockery of the annual budget process as a means by which government can be held to account on its housing spending plans. If MSPs wish to scrutinise how government money is used to support housing policy decisions the Scottish budget does not give the answers. It fails on two accounts:

- Large parts of the programme are simply missing from the Health and Wellbeing Portfolio.
- The level of detail that allows one to examine the impact of spending decisions by programme is not provided, even half way through the year to which it applies.

In Shelter's view this is a major failing of transparency: a failing which was apparent in the previous Holyrood administrations, but one which has accelerated since May 2007.

### ***2.3 The Affordable Housing Investment Programme***

The Affordable Housing Investment Programme in 2009-10 will be just under £70 million more than previously planned. This takes it to £515.0 million. Once the £119 million

being spent in Glasgow and Edinburgh is added, the overall programme stands at around £634 million.

£634 million compares well to investment programmes since devolution. However, it is difficult to assess how many homes it will fund as we do not know the split between different types of spending. However, if the pattern of investment followed that of 2008-09 – and this is a big ‘if’ given the separate commitment to invest £250 million in low cost home ownership over three years – then the amount going to the affordable rented programme will be around £400 million. This may be sufficient to fund around 6,000 rented homes<sup>3</sup>.

So, in this, the peak year of the three-year cycle the housing investment programme will be able to fund only around 60% of the 10,000 rented homes per year which Shelter and another housing bodies have estimated are needed.

Of course, the current year (2008-09) and the following year (2010-11) see levels of investment below the peak year. The consequences for 2010-11 settlement are particularly stark with investment in affordable housing falling by £145 million or 23%.

This comes in the run up to the internationally-regarded target to abolish the homelessness priority need test by 31 December 2012. Barely 21 months before that target date the Scottish affordable housing budget is set to suffer a fall more dramatic than at any time since the ‘Forsyth’ budgets of 1996.

This, of course, is a consequence of having to ‘pay back’ the £100 million moved into earlier years.

To some extent this may be countered by the fact that 2010-11 should be year 1 of a new spending round and therefore a chance to look at the settlement afresh. But this lies in the hands of the UK Treasury as to whether it decides to revert to the two-year cycle for spending reviews adopted up until 2004.

The Scottish Government has also committed to increase spending on shared equity to £250 million between 2008-11. Details are not fully given in the budget. But analysis by Shelter shows that this target can only be achieved by diverting up to £30 million from other parts of the investment programme: most obviously the programme to fund rented housing<sup>4</sup>.

---

<sup>3</sup> This is broad estimate, based on a number of assumptions about average grant rates and the exact mix of the programme.

<sup>4</sup> Our analysis is based on taking the amount committed to low cost home ownership this current year and deducting it from the total of £250 million. This gives us a figure that must be spent on LCHO in years 2 and 3, which we can then show to be a higher proportion of the overall AHIP than is currently the case.

Finally, the Scottish Government has committed £25 million to pump-prime local authorities to fund new council homes. This appears nowhere in the Budget despite being scheduled to begin in 2009-10.

### ***2.4 Supporting People and Homelessness funding***

Members of the Committee will recall that the ring-fencing for both the homelessness budgets and the housing support fund was ended for 2008-09. Shelter and many others warned that this might lead to the housing support budget, in particular, being diverted to other purposes. Table 9.04 in the budget shows that, at first glance, this fear appears to have been well-founded. It shows that housing support falls from a budgeted £401 million in 2007-08 to £297.4 million in 2008-09. It also appears to show that homelessness money rises from a budgeted £39 million in 2007-08 to £65 million in 2008-09.

However, it seems that what has happened is that some Supporting People money which is spent on homelessness services has simply been re-classified as Homelessness money, although we do not know how much. Clarification with officials also suggests that the dramatic fall in the housing support budget is because some councils have returned the wrong information. The Committee might wish to explore this with the minister and query why apparently false information has been presented in the Budget.

### **3. Conclusion**

Shelter believes that the housing parts of the Budget could do with much more rigorous analysis than we have been able to give time to. There are questions which we would have liked to follow up with officials and discrepancies that we have not been able to explore fully. We appreciate that MSPs on the Committee have huge areas of the Budget to scrutinise but at the very least we would urge them to press ministers on some of the many questions we have posed in this paper.

**October 2008**

**Contact: Gavin Corbett, Shelter Scotland, 0844 515 2468 or  
gavin\_corbett@shelter.org.uk**